



## GET Funded Status

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***Presentation to GET Legislative Advisory Committee***



Office of the State Actuary

*"Securing tomorrow's pensions today."*

**January 10, 2014**

# Today's Presentation

- Comparison of funded status at 2012 and 2013
- What drives funded status changes?
- Why did the funded status change from 2012 to 2013?
- Q&A



# What Is The Funded Status?

- Comparison of GET's assets to the present value of future program obligations
- Measured at a single point in time
- Based on certain long-term assumptions and outstanding GET units at the measurement date



# Key Assumptions To Measure Current Obligations

- Annual growth rate of tuition
  - Needed to estimate the amount of future resident, undergraduate tuition and covered fees at the highest priced Washington public university (either UW or WSU)
- Annual rate of investment return
  - Needed to determine the present value (or today's value) of future program obligations



# Funded Status Comparison

<b>Funded Status Summary</b>		
<i>(Dollars in Millions)</i>	<b>2012</b>	<b>2013</b>
<b>Present Value of Future Obligations</b>	\$2,942	\$2,716
<b>Present Value of Fund</b>	\$2,311	\$2,557
<b>Funded Status</b>	78.5%	94.1%
<b>Reserve/(Deficit)</b>	(\$631)	(\$160)

- Measured at June 30, 2012, and June 30, 2013
- Excludes the impacts of differential tuition



# What Drives Funded Status Changes?

- Annual, short-term experience that differs from long-term assumptions
  - AKA “experience gains or losses”
- Experience gains increase the funded status
- Experience losses lower the funded status
- Short-term experience gains or losses can be offset by future losses or gains
- Assumption changes



# Why Did The Funded Status Change From 2012 To 2013?

- Experience gains/losses
  - Higher than expected investment return for plan year ending June 30, 2013 (higher asset values)
  - Reserve and amortization dollars collected from new units from latest enrollment period (higher asset values)
- Assumption changes
  - Lower short-term tuition growth rates consistent with enacted 2013-15 Budget (lower future obligations)
  - Lower expected rate of investment return (higher present value of future obligations)



# Key Assumption Changes From 2012 To 2013

Key Assumptions By Year		
	2012	2013
<b>Annual Investment Return</b>	5.98%	5.50%
<b>Annual Tuition Growth</b>		
<b>2013-14</b>	12.0%	0.0%
<b>2014-15</b>	10.0%	0.0%
<b>2015-16</b>	10.0%	8.1%
<b>2016-17</b>	8.0%	8.1%
<b>2017-18</b>	5.5%	8.1%
<b>2018-19</b>	5.5%	8.1%
<b>2019-20</b>	5.5%	6.5%
<b>2020-21</b>	5.5%	6.5%
<b>2021-22</b>	5.5%	6.5%
<b>2022-23</b>	5.5%	6.5%
<b>2023-24</b>	5.5%	6.5%
<b>2024-25+</b>	5.5%	5.5%

- Investment return assumption lowered from 5.98 to 5.50 percent
- Short-term tuition growth assumptions for 2013 consistent with enacted 2013-15 Budget
- Assumptions reviewed and updated annually



# Funded Status Reconciliation

<b>Funded Status at June 30, 2012</b>	<b>79%</b>
Lower future rate of return (ROR)	(3%)
Lower future tuition growth	15%
Higher than expected ROR for 2013	3%
All other changes*	0%
<b>Funded Status at June 30, 2013</b>	<b>94%</b>

*\*Includes new data, reserve and amortization dollars from new units, and all other sources of experience gain/loss.*



# Questions

